



# **Services Liberalization**

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March 3-4, 2003



# Importance of services in FTA negotiations

- U.S. expectations—services as a major trade agenda item in FTAs
  - Comprehensive market access and national treatment
  - Improved transparency and predictability of regulatory procedures
  - Appropriate provisions to facilitate temporary entry of U.S. business persons into Central America



# Importance of services in FTA negotiations (continued)

- CAFTA countries
  - Less ambitious export interests than U.S. goals, but opportunities exist in certain areas
  - “Opportunity” to liberalize sectors that contribute to overall competitiveness, attractiveness of investment environment
  - Negotiating positions of various countries may differ; TCB needs may differ

# Importance of services in FTA negotiations (continued)

- FTA as a dynamic for positive regulatory change
  - Benefits to the economy
    - Stimulates productivity in key infrastructure areas
    - Encourages competition and innovation
    - Improves transparency in regulation
    - Improves FDI environment
    - Reduces input costs to production
  - FTA can stimulate broader regulatory change, in anticipation of external requests from other partners

# Services and FTA legal framework

- Services commitments address
  - Regulatory limitations on market access (monopoly restrictions, quotas, foreign equity shares)
  - Discriminatory regulatory treatment (national treatment)
  - Specified changes to regulatory procedure in particular sectors, such as improved transparency
  - Specific sector annexes or chapters, outlining specific provisions where more elaboration of commitments is necessary (e.g., telecommunications and temporary entry of persons)



# FTA sector objectives— Telecommunications

- Elimination of monopoly rights, where they exist, for both basic and value-added services
- Right of foreign operators to provide services, with choice of operating alone or with local partner
- Ability to interconnect with local system on prices based on cost
- Ability to provide unbundled services, including the “colocation” of network equipment to interconnect with the local supplier
- Independent regulator



# FTA sector objectives—Insurance

- No monopolies or limits on number of insurance providers
- Right of foreign insurance company to choose form of establishment (subsidiary, branch, joint venture)
- Right to provide some services (reinsurance, brokerage, transport insurance) without requirement to establish
- Regulatory procedures that clearly establish the criteria and paperwork necessary to apply for an insurance license
- Ability of interested parties to comment on measures prior to their adoption

# FTA sector objectives—Express delivery services

- Establish a common definition of express delivery services that specifies the nature of express delivery, but which excludes air transport services and services provided in exercise of government authority
- Ability of express delivery operator to maintain control of all operations when shipments arrive, including door-to-door transport on the ground
- Expedited facilitation at Customs, including pre-clearance procedures from country of exportation
- Ability to have access to, and use of, electronic commerce to facilitate time-sensitive aspect of this service





# Temporary entry of persons

- Objective is to expedite travel of professional persons (ordinarily persons with a university degree) to travel to CAFTA countries to provide services
- Establish special visa category covering persons performing services in CAFTA countries where they have a contract for work, or through their foreign affiliate
- Visa category would exclude labor certification and wage parity requirements
- Transparency procedures that will clearly set forth the data necessary to complete visa applications



# Challenges to liberalization of services through an FTA

- Regulatory reform and trade negotiations do not always coincide
  - Trade negotiations can provoke defensive attitudes among regulators
  - Limits to regulatory reform driven by external interests
  - Critical that a country sees change as something that it has inspired
- Overcoming elements that inspire the status quo
  - Vested interests of dominant services suppliers/monopolies
  - Protection justified by infant industry theory
  - Protection of the role of governments as exclusive providers of a service

# Realizing export opportunities in the services sectors

- Undertaking systematic survey of targeted industries to assess their interest in and potential for providing services abroad
- Assessing short- and long-term competitive strengths, taking into account problems of infrastructure
  - May lead, in short-term, to supply of lower-cost services, taking advantage of outsourcing needs of other countries
  - Greater opportunities for small and medium enterprises to provide services abroad with marketing opportunities through electronic commerce



# TCB in the services sector

- USAID initiatives
  - Mostly in tourism, financial, and energy sectors and tend to be components of larger, generalized activities
- Illustrative activities
  - Uganda
    - Compiled laws/regulations affecting foreign service providers
    - Conducted comprehensive survey of Ugandan services firms, including export markets
    - Analyzed barriers to Ugandan services exports in key markets
  - South Africa
    - Initiated private-public sector dialogue on multilateral services negotiations
    - Organized two-day conference on services negotiations for Department of Trade and Industry, other government ministries and regulatory agencies, and private firms

# TCB in the services sector (continued)

- U.S. private sector—keen interest among firms and trade associations to provide TCB, although primarily on a sectoral basis
  - Insurance
  - Express delivery